

# Real Estate TODAY



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## Flipping Out About Houses

by Patrick Lucas, C-21 Homes and Land

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Kevin McGuire is a Realtor at McGuire Realty Company located in Huntington, WV where he serves his clients in West Virginia, Ohio, and Kentucky.

Throughout Kevin's career and as a member of the Huntington Board of Realtors, Kevin has selflessly volunteered and chaired numerous committees and served as a director on the Board of Directors. He was also the 2013 President of our board.

His commitment and dedication to the community, his clients, and the Board of Realtors is outstanding as he goes above and beyond the call of duty.



**Kevin McGuire**  
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You've seen it on television shows. You've heard it on radio commercials. You've read about it in the newspaper. It's even in those annoying online ads that pop up before you can watch a YouTube video. Flipping houses! They tell you how easy it is. They tell you that you can even do it with someone else's money. So, what's the truth about flipping houses?

Before we can look very deeply into flipping houses, we first have to know what that term means. Flipping houses is the term widely used to describe the process of purchasing a house, fixing it up, and selling it for a profit. Sounds simple. But is it? It depends.

We have quite a few individuals and groups in the Tri-State area that flip houses for a living. They have been doing it for many years, and know exactly what to look for. They will tell you that there are several important aspects in the process that will determine whether a profit can be made on each property. First, you must find a home that is in disrepair or in serious need of updating. Second, the home must be located in an area where

houses sell at a reasonable price and in a reasonable amount of time. Thirdly, you must be able to perform most of the work yourself. Lastly, don't forget to figure in the costs associated with taxes and permits.

Let's take a look at the first aspect. Finding a house that needs work is one thing, but finding a house in that condition that can be purchased at a price where you can make a profit after fixing it up is another thing. Most houses that are purchased for this purpose are owned by a bank or the government. If a bank forecloses on a house it holds the mortgage on, then that bank will have to sell the house after the foreclosure process is completed. If a house that was purchased with a government loan, like FHA, VA, or USDA, is foreclosed on, then the Federal Department of Housing and Urban Development is most likely the entity that must sell the house. Every now and then, you can stumble onto a privately-owned house that can be purchased at the right price, but it is rare.

The second aspect is marketability. If you purchase

the house at the right price, and put a lot of money and time into fixing it up, will it sell quickly and for a price that turns an acceptable profit for you? This is where you need to do some research. You need to examine the neighborhood. Do most of the houses in the neighborhood appreciate in value? Which houses close by have sold lately and at what price did they sell? What was the size and condition of the houses that sold? How do those houses compare to the one you are considering to purchase? The third aspect is the work involved to make the property marketable. You shouldn't get into flipping houses if you cannot perform any of the work yourself. The labor costs of hiring other people to perform the work for you will almost always make this process unprofitable. On the other hand, the more work you can perform yourself, the more profitable your venture should be. Saving all of those labor costs can make all of the difference.

The last aspect can make or break your transaction. When you are planning to perform construction work on a property located within the limits of a

city or municipality, you will most likely be required to obtain a permit before beginning the work. Contact the proper city office before swinging the first hammer. The fines for not obtaining a permit are usually much more than the permit itself. Plus, if you do not display a permit, one of the neighbors will usually report you. Furthermore, taxes must be considered before making such a purchase. You must pay capital gains tax on the profit you make on each house you flip. Always consult your accountant regarding tax matters.

As you can see, there is much more to the process of flipping houses than first meets the eye. That is why I highly recommend using a licensed realtor to help guide you through the process. A realtor will help you find the house, research the marketability for you, properly make offers for you, remind you of possible tax implications, and have your back the entire way.

So, if you are interested in flipping houses, contact a realtor, and don't flip out.